

"(1) gain shall be recognized to such holder (or person) in the same manner as if such holder (or person) had sold such property at its value under subsection (d) on the earliest date such property supports such an interest, and
 "(2) such property shall be treated as held by such FASIT for purposes of this part.

"(c) DEFERRAL OF GAIN RECOGNITION.—The Secretary may prescribe regulations which—

"(1) provide that gain otherwise recognized under subsection (a) or (b) shall not be recognized before the earliest date on which such property supports any regular interest in such FASIT or any indebtedness of the holder of the ownership interest (or of any person related to such holder).
 "(2) provide such adjustments to the other provisions of this part to the extent appropriate in the context of the treatment provided under paragraph (1).

"(d) VALUATION.—For purposes of this section—

"(1) IN GENERAL.—The value of any property under this subsection shall be—

"(A) in the case of a debt instrument which is not traded on an established securities market, the sum of the present values of the reasonably expected payments under such instrument determined (in the manner provided by regulations prescribed by the Secretary)—

"(i) as of the date of the event resulting in the gain recognition under this section, and
 "(ii) by using a discount rate equal to 120 percent

of the applicable Federal rate (as defined in section 1274(d)), or such other discount rate specified in such regulations compounded semiannually, and

"(B) in the case of any other property, its fair market value.

"(2) SPECIAL RULE FOR REVOLVING LOAN ACCOUNTS.—

For purposes of paragraph (1)—

"(A) each extension of credit (other than the accrual of interest) on a revolving loan account shall be treated as a separate debt instrument, and

"(B) payments on such extensions of credit having

substantially
the
same
terms
shall
be
applied
to such
exten-
sions
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with
the
earliest
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(e)
**SPECIAL
RULES**

"(1)
NON
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RULES
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APPLY
Gain
required
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section
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"(2)
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basis of
any
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which
gain is
recog-
nized
under
this
section
shall
be

increased
by the amount of gain so recognized.

**"SEC. 860J. NON-FASIT LOSSES NOT TO OFFSET
CERTAIN FASIT
INCLUSIONS.**

"(a) IN GENERAL.—**T**he taxable income of the holder of the ownership interest or any high-yield interest in a FASIT for any taxable year shall in no event be less than the sum of

"(1) such holder's taxable income determined solely with respect to such interests (including gains and losses from sales and exchanges of such interests), and